

CONFORMED COPY

CREDIT NUMBER 3529 IN

Development Credit Agreement

(Rajasthan Second District Primary Education Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 27, 2001

CREDIT NUMBER 3529 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 27, 2001, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of the Project;

(B) the Project will be carried out by the State of Rajasthan (Rajasthan) with the assistance of the Rajasthan Council of Primary Education (RCPE) and with the assistance of the Borrower and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to RCPE, as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association and Rajasthan (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read as follows:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Block" means each development sub-unit into which a District (as hereinafter defined) is divided;

(b) "BRC" means each Block Resource Center in a Project District (as hereinafter defined) responsible for, inter alia, providing professional training and support to CRCs (as hereinafter defined) and overseeing micro-planning activities under the Project;

(c) "CEM" means the Center for Educational Management in Rajasthan responsible for, inter alia, training educational management personnel and providing technical support in educational planning and management;

(d) "children from socially and economically disadvantaged groups" means children who have limited access to educational opportunities, including females, Scheduled Castes (as hereinafter defined), Scheduled Tribes (as hereinafter defined), other backward classes, working children and children with disabilities;

(e) "CRC" means each Cluster Resource Center in a Project District responsible for, inter alia, providing professional training and on-site support to teachers, mobilizing community support for schools and data collection through micro-planning activities under the Project;

(f) "DIET" means each District Institute for Education and Training in a Project District responsible for, inter alia, developing curricular material and training modules and training master trainers who will introduce teachers to the new pedagogy developed under the DPEP (as hereinafter defined);

(g) "District" means an administrative unit into which Rajasthan (as hereinafter defined) is divided;

(h) "DPEP" means the Borrower's District Primary Education Program;

(i) "DPEP Guidelines" means the statement adopted by the Borrower in April 1993, as amended from time to time, for the purposes of implementing the DPEP;

(j) "DPO" means each District Project Office of RCPE (as hereinafter defined) in a Project District responsible for, inter alia, carrying out day-to-day Project implementation at the district level;

(k) "Eligible Categories" means categories (1), (2), (3), (4) and (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(l) "Eligible Expenditures" means the expenditures for goods and services referred to in Section 2.02 of this Agreement;

(m) "EMIS" means the Educational Management Information System established

for the Project;

(n) "FMS" or "Financial Management System" means the Financial Management System established for the Project and referred to in Article III of the Project Agreement;

(o) "Fiscal Year" or "FY" means the fiscal year of the Borrower, Rajasthan (as hereinafter defined) and RCPE, which begins on April 1 of a calendar year and ends on March 31 of the following calendar year;

(p) "Memorandum of Understanding" means the Memorandum of Understanding to be entered into between the Borrower and RCPE (as hereinafter defined) pursuant to Section 3.01 (a) of this Agreement;

(q) "PMIS" means the Project Management Information System established for the Project;

(r) "primary education" means education provided in classes 1 through 5 in schools;

(s) "Project Agreement" means the agreement between the Association and Rajasthan of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(t) "Project District" means each of the following districts in Rajasthan, in which the Project will be implemented: Bharatpur, Bundi, Churu, Dausa, Dholpur, Hanumangarh, Jaipur, Karauli and Sawaimadhopur or any successor thereto;

(u) "Project Implementation Plan" means the Project Implementation Plan of the Borrower including the Tribal Development Plan, Rajasthan and RCPE for the Project, dated May 25, 2001 and approved by the Association;

(v) "Project Management Report" means each report prepared in accordance with Section 3.02 of the Project Agreement;

(w) "Rajasthan" means the State of Rajasthan, a State of the Borrower, or any successor thereto;

(x) "RCPE" means Rajasthan Council of Primary Education, a society established and registered under the Societies Registration Act, 1958 as applicable to Rajasthan and as amended from time to time;

(y) "Scheduled Castes" means the population groups specified as "Scheduled Castes" pursuant to Article 341 of the Constitution of India;

(z) "Scheduled Tribes" means the population groups specified as "Scheduled Tribes" pursuant to Article 342 of the Constitution of India;

(aa) "SIERT" means the State Institute for Educational Research and Training in Rajasthan responsible for, inter alia, developing curricular material and training modules and training resource persons to train teachers;

(bb) "SMC" means each School Management Committee for a school (including an alternative school) in the Project Districts and responsible for, inter alia, micro-planning for school and resource mapping, mobilization of community support for schools, management of the community construction program, selection of parateachers and school improvement and management;

(cc) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;

(dd) "SPO" means the State Project Office of RCPE responsible for, inter alia, supervising and coordinating Project implementation at the state level; and

(ee) "WEC" means each Ward Education Committee for wards in urban areas having at least one school (including an alternative school) in the Project Districts and responsible for, inter alia, micro-planning for school and resource mapping, mobilization of community support for schools, management of the community construction program, selection of parateachers and school improvement and management.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed to be a reference to each of Rajasthan and RCPE.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to fifty eight million five hundred thousand Special Drawing Rights (SDR 58,500,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 31, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing December 15, 2011 and ending June 15, 2036. Each installment to and including the installment payable on June 15, 2021 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of

the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause Rajasthan and RCPE to perform in accordance with the provisions of the Project Agreement and the Memorandum of Understanding respectively, all the obligations of Rajasthan and RCPE therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Rajasthan and RCPE to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available to RCPE in accordance with the provisions of the Memorandum of Understanding.

(c) Without prejudice to any other provision of this Agreement, the Borrower shall ensure that RCPE receives adequate funds on a six-monthly basis, in a timely manner, for anticipated expenditures under its approved annual work plans.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by Rajasthan and RCPE pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall cause Rajasthan and RCPE to carry out the DPEP in Rajasthan in accordance with the DPEP Guidelines and shall not make any change to the DPEP or the DPEP Guidelines, including in respect of its financial and administrative procedures, which would, in the reasonable opinion of the Association, materially and adversely affect the ability of Rajasthan or RCPE to carry out the Project or to perform any of their respective obligations under the Project.

Section 3.05. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the agreed indicators, the carrying out of the Project and the achievement of the objectives thereof; and

(b) carry out with the Association, Rajasthan and RCPE the two reviews referred to in paragraph 12 (c) of Schedule 2 to the Project Agreement, and after the first review, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the first report referred to therein and the Association's views on the matter.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements

of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with sound financial management and accounting practices, records and separate accounts reflecting such expenditures;
  - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made; and
  - (iii) enable the Association's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a)(i) of this Section and those for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
  - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such Fiscal Year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
  - (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02(1) of the General Conditions, the following additional events are specified:

- (a) Rajasthan shall have failed to perform any of its obligations under the Project Agreement.
- (b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that Rajasthan will be able to perform its obligations under the Project Agreement.
- (c) Any provision of the Memorandum of Understanding shall have been amended so as to materially or adversely affect the ability of RCPE to carry out the Project.
- (d) Rajasthan shall have reduced the level of its budgetary expenditure for elementary education (net of Project expenditures) below the level, in real terms, of such expenditure in FY 2000-2001.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a), (c) or (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely that the Project Agreement has been duly authorized or ratified by Rajasthan, and is legally binding upon Rajasthan

in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

##### For the Borrower:

Secretary to the Government of India  
Department of Economic Affairs  
Ministry of Finance  
New Delhi, 110001  
India

Cable address:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINE IN 953-31-61430 FINE IN	91-11-3013133 or 91-11-3017511

##### For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in New Delhi, India, as of the day and year first above written.

INDIA

By /s/ Adarsh Kishore

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin Lim

Country Director, India

#### SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	15,000,000	90%
(2) Goods	1,200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expen- ditures for other items procured locally
(3) Books	7,900,000	100%
(4) Training, workshops, fellowships and consultants' services	18,600,000	100%
(5) Incremental operating and maintenance costs	12,300,000	80% until March 2003; 70% from April 1, 2003 until March 31, 2004; 63% from April 1, 2004 until March 31, 2005; and 25% thereafter
(6) Unallocated	3,500,000	
TOTAL	58,500,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "goods" includes office equipment, furniture and software;

(d) the term "books" includes books and incentive items/supplies for focus group children and work books; and

(e) the term "incremental operating and maintenance costs" means: (i) the incremental expenses incurred on or after May 1, 2001 on account of Project implementation, management and monitoring, including goods, operation and maintenance of equipment, hiring of vehicles, travel and supervision costs, but excluding salaries of officials of the Borrower's civil service; (ii) salaries paid in respect of posts created for the Project on or after May 1, 2001; and (iii) expenses incurred by schools and teachers for school facility maintenance and teaching and learning materials pursuant to paragraph 2.27 of the DPEP Guidelines.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 1,400,000 may be made in respect of Categories (1), (2), (3), (4) and (5) set forth in the table in Part A.1 of this Schedule on account of payments made for expenditures before that date but after May 1, 2001.



4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts not exceeding \$300,000 equivalent each; (b) goods (except vehicles) and books under contracts not exceeding \$300,000 equivalent each; (c) vehicles under contracts not exceeding \$100,000 equivalent each; (d) services under contracts costing less than \$100,000 equivalent each for employment of consulting firms and \$50,000 equivalent each for employment of individual consultants, respectively; (e) training, workshops and fellowships; and (f) incremental operating and maintenance costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in the Reserve Bank of India, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 3.02(b) of the Project Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 3.02(b) of the Project Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 3.02 of the Project Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower, Rajasthan or RCPE shall have failed to furnish to the Association within the period of time specified in Section 4.01(b)(ii) of this Agreement and Section 3.01(b)(ii) of the Project Agreement, any of the audit reports required to be furnished to the Association pursuant to said Sections in respect of the audit of: (A) the records and accounts for the Special Account, or (B) the records, accounts and financial statements reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports or statements of expenditure.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the

Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

#### Annex A to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex, the term "Authorized Allocation" means an amount equivalent to \$7,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$3,500,000 until the aggregate amount of withdrawals from the Credit Account, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal or exceed the equivalent of SDR 15,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

#### Annex B to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the

Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$14,000,000.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist Rajasthan and RCPE in building and strengthening Rajasthan's State, district and local capacity to ensure that all children in the Project Districts, especially children from socially and economically disadvantaged groups, have access to a five-year primary education cycle of appropriate quality.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective:

#### Part A: Expanding Access to and Increasing Retention Levels in Primary Education

1. Developing and implementing targeted interventions to address the educational needs of all children at the primary level, especially from socially and economically disadvantaged groups by, inter alia: (a) strengthening existing formal primary schools; (b) establishing and strengthening alternative schools; (c) increasing the number of female teachers in formal and alternative schools; (d) selectively establishing new and strengthening existing early childhood education centers; (e) providing short-term bridge courses to reach out-of school and dropout children; (f) providing residential facilities for migratory children; (g) providing services/appliances for children with mild to moderate disabilities; (h) appointing parateachers in overcrowded schools; and (i) formulating and implementing new strategies to attract and retain children from socially and economically disadvantaged groups in alternative formal primary schools.

2. Filling teacher vacancies and providing additional parateachers in formal and alternative schools.

3. Mobilizing and strengthening community organizations and SMCs, and carrying out micro planning, school mapping exercises and awareness campaigns in support of primary education.

4. Constructing new formal and alternative schools in unserved habitations, constructing additional classrooms in existing schools and repairing and rehabilitating existing facilities.

#### Part B: Improving Quality of Classroom Processes and Enhancing Learning Achievement Levels in Primary Education

1. Instituting a holistic pedagogic renewal approach for continuous support for professional development of teachers, parateachers and early childhood education workers, including training in interactive and child-centered learning activities, building teachers' capacity for continuous student assessment, establishing supportive school and locally-based supervision mechanisms and providing need-based content training in the Project Districts.

2. Developing and providing: (a) teaching and learning materials, and teacher guides; and (b) student workbooks and other supplies.

3. Developing and implementing distance learning programs.

4. Developing and providing school libraries and book banks for formal and alternative primary schools.

5. Improving the physical school environment by, inter alia, providing toilets and adequate water supply and empowering SMCs to manage school improvement activities.

Part C: Improving Capacity to Manage Primary Education

1. Strengthening the SPO to meet the expanded scope of the DPEP in Rajasthan resulting from the implementation of the Project in the Project Districts.

2. Strengthening the capacity of Project Districts to plan and manage Project activities by, inter alia: (a) establishing and strengthening DPOs; and (b) establishing and strengthening BRCs and CRCs.

3. Providing training and professional development opportunities to SIERT and DIET faculty and strengthening the SIERT and DIETs in areas relating to primary education.

4. Strengthening the CEM.

5. Building capacity at the District and sub-District levels for monitoring and evaluation through the EMIS, FMS and PMIS, and periodic student assessment.

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The Project is expected to be completed by June 30, 2006.

